

The complaint

In summary, Mr F complains that Covea Insurance Plc his car insurance provider, disposed of his car after it was stolen and recovered.

What happened

In December 2021 Covea wrote to Mr F explaining that it was declining his insurance claim. In January 2022, Mr F complained about Covea's decision.

In February 2022 Mr F spoke to one of Covea's representatives. They explained why the complaint had been declined and provided details of the salvage agent that had Mr F's car. The conversation was followed up in writing and sent by e-mail to Mr F. Covea's claims settlement team also wrote to Mr F the same day, and explained that his car would be disposed of within seven days of that letter, if he didn't contact it about not disposing of it. Mr F complained initially about Covea's refusal to pay his car insurance claim. That complaint was looked into by one of our investigators. They explained why they didn't think Covea had unfairly declined the claim.

When Mr F found out that his car had been disposed of, he brought a new complaint to Covea via our service. When it responded to the complaint in August 2022, Covea explained that it had written to Mr F explaining that he needed to contact it within seven days of its letter, or his car would be disposed of. It believed from the communications he had with it, that Mr F would have been aware he needed to contact Covea or the salvage agent to arrange collection of the vehicle. Covea said it would be issuing the salvage payment received for the vehicle to Mr F.

Our investigator then wrote to Covea explaining why she considered the complaint should be upheld. In summary, she didn't think Covea had communicated clearly in the outcome call with Mr F, or in its final response from February 2022, that the car needed to be collected within seven days. And she believed that Covea hadn't explained that the car was a write off and couldn't be collected by him or repaired. In addition to the salvage value that Covea had agreed to pay, she said it should pay £500 in respect of the distress and inconvenience Mr F had experienced.

Covea disagreed. It believed the correct correspondence had been sent to Mr F. It received no further correspondence from him, and the vehicle was salvaged. The investigator responded and made the point that there was no reference in the call or e-mail that the vehicle needed to be collected in seven days.

Covea wrote to the investigator and said that Mr F was offered the salvage fee on a number of occasions once the complaint was made. As it didn't have the fee back, it didn't agree he had been without the funds for nine months. And as the vehicle was reclassified as a category B write off, Mr F wouldn't have been able to use the car in any case.

The investigator then asked for more information from Covea. In its response, it clarified that the salvage value of the vehicle hadn't been offered by its claims department as it originally said and hadn't been offered until it responded to the complaint.

The investigator wrote to Covea again. She explained why she considered £500 compensation for the distress and inconvenience Mr F had suffered, to still be appropriate. And she said that interest should be paid on the salvage value at the rate of 8% simple from the time it received the funds to when it was refunded.

Covea didn't agree with what the investigator said, so the case has been passed to me to review.

I issued a provisional decision on 23 November 2022, explaining why I was upholding Mr F's complaint in part. In response Covea said it would pay the scrap value of the vehicle and the £250 for the distress and inconvenience caused to Mr F. It also said that it would be fair to pay the interest until the time Mr F was offered the salvage value of the vehicle. Mr F hadn't called to accept the salvage value after the offer was made, and had he done so the payment would have been raised.

Mr F didn't agree with my decision. He explained to our investigator why he didn't agree with the £250 compensation I had said Covea should pay for the distress and inconvenience caused to him.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I've thought carefully as well about the responses to my provisional decision from Covea and Mr F. And I want to assure Mr F that I have listened to the calls he had with the investigator and have taken into account what he told her about why he disagreed with my provisional decision.

Having done so, I remain of the opinion that Mr F's complaint should be upheld in part. I'll explain why.

My role is to review a case afresh. And that means I may reach a different conclusion to that reached by an investigator. And that is what has happened in this case. I'm not bound by what an investigator has decided. Ultimately it is up to me to review a case and decide what I think is fair and reasonable in all the circumstances of a case.

Before I set out my findings, I want to make it clear that I have only considered the complaint I have summarised above, in relation to the disposal of Mr F's damaged car. The rejection of his insurance claim doesn't form part of my considerations and has been addressed by our service in a separate complaint.

There has been much correspondence between the investigator and Covea as to how it communicated to Mr F that his car would be disposed of, particularly in regard to the seven-day response deadline that it set. I'm satisfied from listening to the call Mr F had with Covea's representative in February 2022, that it was made clear to him that he would need to contact Covea or its salvage agent if he wanted to keep the vehicle. He took down details of the number to call during the call, and what was discussed was followed up in writing. In addition, Covea's claims settlement team also wrote to Mr F the same day and explained that his vehicle would be disposed of within seven days of that letter. Mr F has said in his communications with our service that he has had problems with his post. But it looks to me

that he has received post from our service. The letter from Covea was correctly addressed. And in one of the conversations Mr F had with Covea, I have the impression that he did receive the letter from it. So, on balance I think it's more likely than not that he did receive the letter from Covea telling him he had seven days to contact it.

However, I think the more pertinent issue is the information conveyed to Mr F in Covea's communications with him. In essence, I think it gave him the impression he would be able to have the car if he wanted it. And that appears to be because of how the car was assessed from a salvage perspective. It seems initially the car was assessed as a category N. This would mean that the car was repairable. So, in that condition it would have been available to Mr F to repair and use.

But in March 2022 Covea's engineers subsequently agreed to reassess the damage as salvage category B, due to problems identified with the engine. This recategorization meant that the car couldn't be repaired and would only be able to be used for parts. As a result, Mr F wouldn't have been able to benefit from keeping the car, and its value would only have been as scrap.

I'm satisfied therefore that Mr F was given an incorrect expectation that he would be able to have the car. So, although Covea authorised its disposal with its salvage agent, this wouldn't have made any difference to Mr F because, as I've explained – he wouldn't have been able to get the car repaired even if he had wanted to.

It's only when Mr F complained about the disposal of the car, that Covea offered to pay him the scrap fee that it received. In its correspondence with our investigator it's said the offer stood, but it didn't think it needed to pay any compensation. I disagree. In my opinion the damaged car remained Mr F's property. So, as Covea hadn't paid out on the claim, I think he was entitled to the scrap value of the car. As a result, I think it should have made that offer sooner than it did.

In addition to the offer of the scrap value fee, our investigator said that Covea should pay Mr F £500 for the distress and inconvenience he has suffered. I've thought very carefully about what Mr F has said about the impact on him and his family about not having a car for some time.

I think Mr F has suffered distress and inconvenience as a result of Covea's mistake. I say that because I don't think Covea has communicated with him fairly or reasonably regarding the disposal of his car and the scrap value fee it received. I think it should have told Mr F what it had done in disposing of the car and offered the scrap value fee sooner than it did. And I think the lack of information in this regard has had an impact on Mr F, as he has in my opinion been unsure what the situation with his car was. And I also think this was predominantly down to the misinformation provided by Covea. As a result, I'm satisfied it's likely to have affected his plans to purchase a replacement car.

But I don't think Covea's shortcomings in this regard have been the primary issue as to why Mr F has been without a car since the incident at the end of last year. I'm satisfied that it's more likely than not the primary reason he is without a car still, is not because Covea didn't offer to pay him the scrap value fee sooner than it did, but because his insurance claim was rejected. I think it's likely that not having received a monetary amount reflective of the market value of the car, has caused him financial difficulties in buying a new car. But the impact of that isn't relevant to this complaint. As a result, I think £500 is not an appropriate amount to compensate Mr F for the distress and inconvenience caused by Covea's shortcomings in this case.

Covea doesn't think that 8% simple interest should be paid on the salvage payment until the

date of payment to Mr F. It thinks that it should only be paid until the date it offered to pay the salvage value to Mr F. I don't agree. When Covea made the offer to Mr F it didn't offer any compensation for the distress and inconvenience he had been caused. I think from Mr F's perspective, his complaint hadn't been resolved to his satisfaction. And it has only been as a result of the investigation and assessment by our service that an award of compensation for distress and inconvenience has been made. So, I don't think it was unreasonable in the particular circumstances of this case for Mr F to wait until his complaint had been assessed by our service, before accepting the offer in respect of the salvage value.

Assessing a compensation figure for distress and inconvenience isn't an exact science. But given what I've said above, I think a figure of £250 is a more appropriate figure to compensate Mr F for the impact on him of Covea's shortcomings in this case.

Putting things right

Covea should pay Mr F the scrap value fee it received for his car, together with simple interest at the rate of 8% a year from the date it agreed a scrap value fee with its agent, to the date of payment to Mr F.

In addition, Covea should pay Mr F £250 for the distress and inconvenience caused to him.

My final decision

For the reasons I've set out above, I think Mr F's complaint should be upheld in part. If Mr F accepts my decision, Covea Insurance Plc, should pay Mr F compensation as I've set out in the "Putting things right" section above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 17 January 2023.

Simon Dibble
Ombudsman